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INTERNATIONAL IMPLICATIONS OF MACRO-ECONOMIC POLICIES AND ISSUES CONCERNING INTERDEPENDENCE: THE RECENT EVOLUTION OF DEVELOPMENT PROBLEMS AND PROSPECTS

Summing-up by the President

The debate was both lively and constructive, and addressed a number of global issues of great significance. It was underpinned by the Trade and Development Report which delegations commended for its innovative, incisive and succinct analysis. The debate included an intensive informal exchange with special invitees; their expert views which were broadly in conformity with the main findings of the Trade and Development Report, greatly contributed to the understanding of the problems.

It was generally recognized that the world economy is in a difficult phase. Growth has slowed in the developed economies, debt-deflationary pressures have mounted, and currencies have come under acute strain. These problems pose difficult choices for monetary and fiscal policies. These must now be designed, on the one hand, to promote recovery in the short

term as in Japan and, on the other hand, to remove structural disequilibria over the medium to long-term. Coordination of macroeconomic policies by the larger economies was generally viewed as essential to arrive at the stance and mix policies needed to revive the growth momentum of the world economy. It was generally agreed that such coordination should take fully into account the interests of all countries. It was also agreed that an improved external environment was necessary for sustained non-inflationary growth in developing countries.

At the same time, domestic policies in developing countries were recognized to be a critical determinant of development performance. Structural reforms needed, however, to be supported by adequate volumes of financial support on appropriate terms. Further progress was needed on both fronts. It was noted that a number of developing countries had succeeded in accelerating their growth rates in the face of the global economic slowdown, thanks in part to their liberalization policies which had attracted large inflows of capital in particular direct foreign investment. Some delegations drew attention to the need for other developing countries to undertake further reforms which would attract greater volumes of investment in this form. On the other hand, it was recognized that unsustainable inflows of liquid funds could be highly problematic, and it was noted that a number of countries had succeeded in discouraging inflows of short-term funds using a variety of techniques.

It was generally acknowledged that while substantial progress had been made in resolving the debt problems of developing countries, such problems persisted in numerous countries. Additional efforts were needed on the part of both the debtors and creditors as well as other members of the international financial community. In this connection, a number of countries called for more favourable treatment to be accorded to poorer developing countries at the Paris Club, as well as for more attention to be paid to other developing countries, including those that have avoided debt servicing difficulties at high cost.

It was recognized that the economic situation in the countries of Central and Eastern Europe continued to be extremely difficult, largely due to the problems arising from making a transition to market economy which is adversely affected by the international environment. However, growth and trade performance differed widely across countries. Some were well advanced in the process of structural change and were registering an increase in the size of the private sector, while others were still beginning the reform process and suffering dramatic falls in output and employment, with all the social hardship and risk for political stability this implied. It was noted that privatization had proved to be a much more difficult and complex task than anticipated. Several delegations underlined the importance of a more dynamic world economy, strengthened multilateral cooperation and external assistance to support the process of transition and domestic policy efforts.

Great concern was expressed regarding protectionism, an open and fair multilateral trading system capable of resisting protectionist pressures being essential for growth and development. The Uruguay Round of multilateral trade negotiations was viewed as an opportunity which must not be lost to strengthen the multilateral trading system and to halt protectionism. Many delegates stressed that it was essential to take into account the interests of the developing countries. It was also important to ensure that the emerging trading blocks did not result in trade diversion.